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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at the World Standard Setters meeting, to assist them in following the discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

Note: These notes are based on the staff papers prepared for the World Standard Setters meeting. Paragraph numbers correspond to the paragraph numbers in the staff papers.

INFORMATION FOR OBSERVERS

WORLD STANDARD SETTERS MEETING, SEPTEMBER 2006, LONDON

AGENDA PAPER 1C

Conceptual Framework



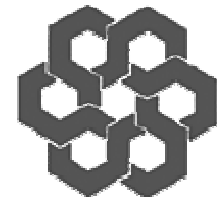
Financial Accounting Standards Board

Joint Conceptual Framework Project

**WORLD STANDARD SETTERS
September 2006**

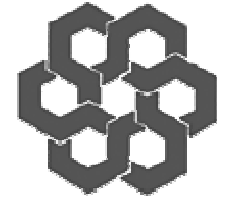
The views expressed in this presentation are those of the presenters,
and not necessarily those of the IASB, FASB or other staff

**International Accounting
Standards Board**





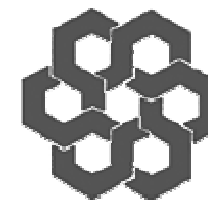
Agenda



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- Project update, including tentative decisions reached
 - Immediate plans
 - Breakout discussion of definition of an asset
 - Report-back
 - Plenary discussion of plans for measurement



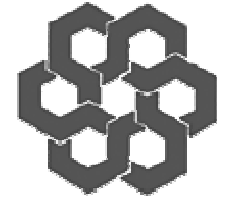
Project Update: Background



- Objective:
 - To develop an improved and common conceptual framework that will provide a sound foundation for the development of accounting standards
- The project is:
 - Focusing on changes in the environment since the original frameworks were issued and omissions in the original frameworks
 - Giving priority to *cross-cutting issues* that are likely to yield benefits in the short term
 - Initially considering concepts applicable to business entities in the private sector



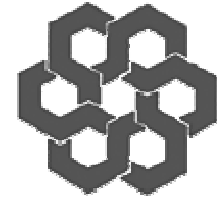
Project Plan



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- The project is being conducted in eight phases:
 - A. Objectives of financial reporting and qualitative characteristics of financial reporting information
 - B. Elements of financial statements and recognition
 - C. Measurement
 - D. Reporting entity
 - E. Presentation and disclosure, including reporting boundaries
 - F. Purpose and status in GAAP hierarchy
 - G. Applicability to the not-for-profit sector
 - H. Entire framework



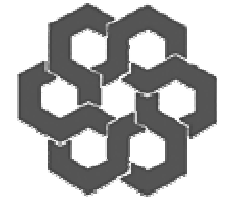
Tentative Decisions: Objectives of Financial Reporting



- Generally consistent with the Boards' existing frameworks, financial reporting should:
 - Focus on general purpose reporting to external users who cannot prescribe the information they need
 - Provide information:
 - Useful in making investment, credit, and similar resource allocation decisions (the objective)
 - Useful in assessing an entity's net cash flow prospects
 - About an entity's economic resources, claims to those resources, and effects of events that change those resources and claims
- Information directed at the objective also is useful in assessing management's stewardship and accountability



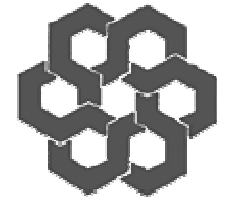
Tentative Decisions: Qualitative Characteristics (QCs)



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- Much the same QCs, one change in terminology
 - Relevance
 - Faithful representation (replaces reliability)
 - Comparability
 - Understandability
 - Constraints
 - Benefits that justify costs
 - Materiality



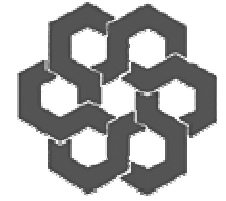
Tentative Decisions: Qualitative Characteristics (QCs)



- Changes in how the Boards will deal with the relationships between QCs:
 - Consider sequentially in a *process* that results in decision-useful financial reporting
 - Previous frameworks tried to deal with relationships between QCs by ranking them in a hierarchy or making trade-offs between characteristics



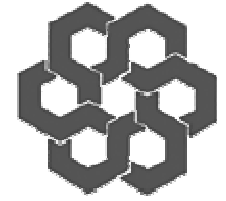
Tentative Decisions: Reporting Entity



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- The reporting entity concept should focus on determining the boundaries of the reporting entity for both an individual entity and a group of entities
 - An entity for financial reporting purposes should not be limited to a legal entity
 - A parent-only entity could be a reporting entity
 - Control, in the context of one entity having control over another entity, should be defined at the conceptual level
 - The definition should include notions of *power* and *benefits*



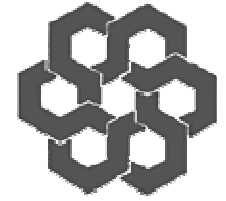
Definition of an Asset



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- An asset of an entity has three essential characteristics:
 - There is an economic resource
 - The entity has rights or other privileged access to the economic resource
 - The economic resource and the rights or other privileged access both exist at the financial statement date
 - Recognition criteria & measurement will be considered in the future



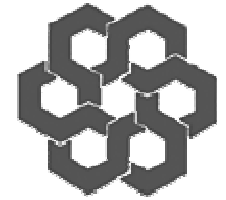
Definition of a Liability



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- A liability of an entity has three essential characteristics:
 - There is an economic burden
 - The entity is obligated to meet the economic burden
 - The economic burden and the obligation both exist at the financial statement date
 - Liability definition is derived from asset definition



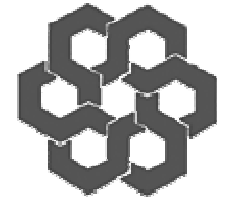
Immediate Plans



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- Remainder of 2006
 - Continue discussions
 - Phase B (*Elements and Recognition*)
 - Phase D (*Reporting Entity*)
 - Begin discussions
 - Phase C (*Measurement*) – see later
 - Analyze comments on Preliminary Views
 - Phase A (*Objectives and Qualitative Characteristics*)



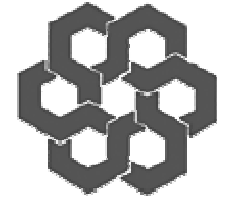
Breakout session



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- Definition of an asset
 - No reference to likelihood
 - Focus on present economic resources (rather than benefits)
 - “Present” rights replaces “past transactions or events”
 - “Rights or other privileged access” replaces “control”
 - Contracts: Contractual promise is the economic resource
 - Improvement compared with today?



Measurement



- Plan for the measurement phase:
 - Milestone 1: Describe and define properties of potential measurement bases
 - Milestone 2: Evaluate measurement bases using the qualitative characteristics
 - Milestone 3: Derive conceptual conclusions from Milestones 1 and 2

Hold public consultations and issue discussion documents